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This Week in Canadian Agriculture, Issue 2 2004

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Report Highlights:

Canada Welcomes U.S. Commitment To Revive Doha Round Of Global Trade Talks * Canada Pursues Authority To Retaliate Against U.S. Over Byrd Amendment * Canadian Beef Plants That Export To U.S. Cannot Accept Downer Cattle * Ag Minister Speller In Washington Promoting Continental Approach To Beef Trade * CWB Borrowing Program Moving Forward * 2003/04 Grain And Feed Monthly Update * Ethanol Upswing For Agriculture * Provinces Reject U.S. Softwood Proposal * Canadian Industry Urges Ottawa To Hang Tough On Softwood Lumber * Canadian Housing Market Hits New Record In 2003 * Ag Canada Disputes Story Of Abandoning GM Wheat Research With Monsanto * Ontario Farmers Continue To Increase Use Of Biotechnology * Quebec Agriculture Committee Publishes Consultation Paper Regarding Biofood Industry And Food Security * USITC Votes To End Case Against Kosher Chicken From Canada

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1]
[CA]

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

CANADA WELCOMES U.S. COMMITMENT TO REVIVE DOHA ROUND OF GLOBAL TRADE TALKS: Canadian International Trade Minister Jim Peterson, in a January 14 new release, welcomed and commended the decision by the U.S. to support moving the World Trade Organization (WTO) Doha Round of trade negotiations forward, a commitment which was conveyed by U.S. Trade Representative Robert Zoellick in a January 11 letter he sent to all of his WTO counterparts. "Canada is pleased to see such a clear signal of support from the U.S. for the Doha Round and multilateral trade," said Peterson. "U.S. engagement in this Round is key if we are to achieve our goals of an ambitious outcome and a strengthened global economy." "I welcome Ambassador Zoellick's commitment to generate more momentum in 2004, especially in agricultural trade reform and market access, the key areas required for success in these negotiations," added Peterson. "Canada is particularly pleased that the U.S. supports setting a date for the elimination of all export subsidies in agriculture, as this is a long-standing Canadian objective." Minister Peterson emphasized that while Canada and the U.S. do not see eye to eye on all issues, such as the U.S. call for discipline against state trading enterprises such as the Canadian Wheat Board, both countries agree that an ambitious round will provide benefits to all, especially developing countries.

CANADA PURSUES AUTHORITY TO RETALIATE AGAINST U.S. OVER BYRD AMENDMENT: The Government of Canada and seven other World Trade Organization (WTO) members, according to a January 15 news release from the Canadian Department of Foreign Affairs and International Trade, submitted requests to the World Trade Organization (WTO) to be granted retaliatory authorization in light of U.S. inaction in repealing the Byrd Amendment. The other WTO members are Brazil, Chile, the European Union, India, Japan, Mexico and South Korea. The request for retaliatory authority comes in the wake of the failure of the U.S. Congress to move to repeal or amend the Byrd Amendment by a December 27, 2003 deadline set by the WTO's Appellate Body. The request will be discussed in a special Dispute Settlement Body meeting scheduled for January 26, 2004. Canada and co-complainants are seeking a level of retaliation linked to the dollar amount disbursed under the Byrd Amendment. Any decision to impose retaliatory measures would only be taken after the expected arbitration process at the WTO is completed and following public consultations in Canada over the next few months on various options.

CANADIAN BEEF PLANTS THAT EXPORT TO U.S. CANNOT ACCEPT DOWNER CATTLE: The Canadian Food Inspection Agency has announced that all downer cattle are banned from slaughter in Canadian registered establishments that are on the eligibility list for export to the United States. CFIA officials said that the restriction is a temporary measure, intended to prevent further trade disruption while Canadian and U.S. animal health authorities work toward establishing mutually satisfactory bilateral import conditions that reflect the BSE status of both countries.

AG MINISTER SPELLER IN WASHINGTON PROMOTING CONTINENTAL APPROACH TO BEEF TRADE: Agriculture and Agri-Food Minister Bob Speller traveled to Washington this week for meetings with U.S. Agriculture Secretary Ann Veneman and Mexican Agriculture Secretary Javier Usabiaga and to meet with U.S. meat industry representatives. Speller is promoting a

North American cooperative approach to BSE import conditions. Earlier in the week Speller had been in Japan where he met with Japanese Agriculture, Forestry and Fisheries Minister Yoshiyuki Kamei in an attempt to encourage Japan to reopen its borders to Canadian beef products sooner rather than later. Speller was joined on the trip to Japan by Canadian beef industry stakeholders, including the Canadian Meat Council, Canada Beef Export Federation and the Canadian Cattlemen's Association.

CWB BORROWING PROGRAM MOVING FORWARD: According to a January 7, 2004 *FarmAssist.ca* article, the Canadian Wheat Board's (CWB's) recent note issue is nearly a fifth sold, as the CWB opens up some of its C\$7 billion in annual borrowings to smaller investors. The CWB established a mid-term note program in the fall of 2003 in an attempt to diversify and raise C\$150 million. The CWB usually raises debt capital from major investors, but with a minimum investment of C\$2,000, small investors, such as farmers, are able to invest in the western Canadian grain marketing organization. The notes have a term to maturity of eight years, and are backed by the Government of Canada. "This new program, and the notes to be issued from it, will enhance our access to cost effective funding and diversify our sources of capital," explained Adrian Measner, President and CEO of the farmer controlled CWB in a news release. "By adding to our borrowing programs in this way, we are able to access a lower cost of funding and generate additional revenue for western Canadian farmers."

2003/04 GRAIN AND FEED MONTHLY UPDATE: For 2003/04, Canadian total wheat production is forecast by Post to reach 23.5 million metric tonnes (MMT), up 45% compared to 2002/03 production levels, due to increases in harvested acreage and higher yields. Canadian barley production is forecast to jump by 65% over 2002/03 to 12.4 MMT due to significant increases in area harvested and yield. Canadian corn production is forecast to increase more than six percent relative to 2002/03 levels to 9.6 MMT as increasing yields more than offset declining area harvested. For additional information, see GAIN report CA4004.

ETHANOL UPSWING FOR AGRICULTURE: The January 8 edition of *Good Morning Ontario* reported that the future for ethanol in Canada is very bright and this is good news for farmers future says Bliss Baker, president of the Canadian Renewable Fuels Association. "The ethanol industry is a great engine for rural economic development," says Baker. Baker points to the Commercial Alcohols plant at Chatham, Ontario. The plant consumes 15 million bushels of corn a year and, according to one study, has boosted corn prices by 15 cents a bushel in southwestern Ontario. Commercial Alcohols' new plant at Varennes, Quebec - which will produce 120 million litres of ethanol a year - is expected to consume 17% of Quebec corn acreage. And plans are in the works to double production of its Chatham facility to 300 million litres per year.

PROVINCES REJECT U.S. SOFTWOOD PROPOSAL: The January 9 *Globe and Mail* reported that provinces gave a thumbs-down January 8 to ratifying a month-old proposal for settling the cross-border softwood lumber dispute. Peterson failed to win backing from provincial governments in a conference call, participants said. The provinces told Peterson that he must seek changes from Washington. But trade officials in Ottawa, which is loath to quit talks after so much progress in recent months, refused to declare the deal dead, saying they have no intention of rejecting it but acknowledging that "provinces and industry have voiced concerns." The provinces want the proposed agreement to be rewritten somewhat to more clearly spell out, and guarantee, that they can quickly move to completely free and unfettered softwood trade with the U.S. if they overhaul their forestry regimes to make them more market-oriented.

CANADIAN INDUSTRY URGES OTTAWA TO HANG TOUGH ON SOFTWOOD: The January 14, 2004 edition of the *National Post* reported that a move by the U.S. Commerce Department that could cut the countervailing duty on lumber by about 20% is being hailed by some

Canadian industry officials as sign Canada should toughen its negotiating stance with the U.S. "This substantiates what a lot of us have been saying, that there is a better deal on the table if we hang in there," said Frank Dottori, co-chairman of the Free Trade Lumber Council, which represents many of Eastern Canada's leading producers. "We are beginning to see the erosion of the whole U.S. case," said Tim Millard, president of the Ontario Forest Industries Association, who added Canada's bargaining position has been strengthened. Many Canadian observers said they expected the Commerce Department to come out with a higher duty and were surprised when the new rate turned out to be significantly lower.

CANADIAN HOUSING MARKET HITS NEW RECORD IN 2003: According to the January 15 *Globe and Mail*, Canada's housing market boomed in 2003, setting new records for both the number of existing homes sold and the average price received, the Canadian Real Estate Association (CREA) said. For the year, a total of 307,505 homes were sold through CREA's Multiple Listing Service. That was 3.8 per cent above the level seen in 2002, when the previous record had been set. New sales records were set in a number of markets, including Vancouver, Toronto and Montreal. As well, new listings reached their highest level since 1994, CREA said. "The continuation of low interest rate and job growth caused consumer confidence to remain strong and fuelled home sales throughout 2003," CREA chief executive Pierre Beauchamp said. For this year, he added, a still solid job market and continuing low interest rates will likely support the market, although whether a third year of record activity will result remains in question.

AG CANADA DISPUTES STORY OF ABANDONING GM WHEAT RESEARCH WITH MONSANTO: A January 13 article from *Good Morning Ontario* says that a widely reported story that Agriculture and Agri-Food Canada (AAFC) was abandoning a long-running project involving genetically engineered wheat it developed in partnership with biotech giant Monsanto does not accurately portray the story. "The story is that there's no story," said AAFC's Jim Bole. AAFC and Monsanto are slated to continue working on GM wheat until 2005. Bole said there's been "no change at all" in the collaborative agreement. "Most of the research is done," Bole told DTN, but AAFC and Monsanto are still evaluating the Roundup Ready lines of wheat in the study. The purpose of the joint project was to study the agronomics of RR wheat -- how to manage production in rotation with other crops, how to control volunteer wheat and so forth. Monsanto spokesperson Trish Jordan confirmed to DTN that the company is still actively involved in the development of Roundup Ready wheat in Canada and the U.S. and said agreements with AAFC are still in place.

ONTARIO FARMERS CONTINUE TO INCREASE THEIR USE OF BIOTECHNOLOGY: According to a January 13 news release from AGCare, farmers in Ontario continue to plant crops created through biotechnology at increasing rates. It is estimated that approximately 50% of soybean and corn, and over 90% of canola acres grown in Ontario were genetically modified (GM) varieties. The proportion of GM corn and soybeans is up slightly from 2002 (45% and 45-50%, respectively), while GM canola acreage has remained the same. The article states that farmers in Ontario have steadily increased their use of biotechnology since GM crops were approved for planting in 1996. AGCare (Agricultural Groups Concerned About Resources and the Environment) is a coalition of 17 agricultural groups that represent Ontario's 45,000 growers of field and horticultural crops.

QUEBEC AGRICULTURE COMMITTEE PUBLISHES CONSULTATION PAPER REGARDING BIOFOOD INDUSTRY AND FOOD SECURITY: In a Government of Quebec news release, the Quebec provincial government's Committee on Agriculture, Fisheries and Food has resolved to study the new issues surrounding the biofood industry from the farm to the table, in particular GMOs, traceability and labeling in order to improve the food security level in Québec. The Committee will hold public hearings on this subject beginning on 3 February 2004. Individuals and organizations that wish to express their views on this matter must

submit a brief to the above Committee not later than 23 January 2004. The entire consultation paper can be viewed (in French) at:
<http://www.assnat.qc.ca/fra/37legislature1/commissions/CAPA/Aliment/docalimentaire.html>

USITC VOTES TO END CASE AGAINST KOSHER CHICKEN FROM CANADA: The United States International Trade Commission has voted to end an anti-dumping case on Kosher chicken from Canada. The ITC voted 5-1 that imports of kosher chicken from Canada allegedly sold in the United States at less than fair value has not materially injured the U.S. industry. As a result of the Commission's negative determination, the investigation will end. The original petition was filed late last year by Empire Kosher Poultry, Inc., Mifflintown, PA.

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